### US EPA Stormwater Program's Webcast Series





# Financing a Municipal Stormwater Program

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### NAFSMA basis for this course

#### GUIDANCE FOR MUNICIPAL STORMWATER FUNDING

Prepared by Hadoual Association of Flood and Stormwater
Management Agencies

Under Grant Provided by Luvironmental Protection Agency

January 2006

- David Burchmore of Squire, Sanders and Dempsey L.L.P.
- Hector Cyre of Water
   Resource Associates
- Susan Gilson, NAFSMA
- Doug Harrison
- Andrew Reese of AMEC
   Earth & Environmental
- Scott Tucker

http://www.nafsma.org/Guidance%20Manual%20Version%202X.pdf

## 1) What is the population served by your MS4?

A) Less than 15,000

B) 15,000 to 25,000

C) 26,000 to 50,000

D) 51,000 to 100,000

E) 101,000 to 200,000

F) More than 200,000

# 2) How many full-time equivalent staff does your entire stormwater program have?

A) 1-2

B) 3-5

C) 6-10

D) More than 10

## Short Historical Perspective

What is driving this?

# Key Trends Creating Changes in Stormwater Programs

1800 1900 2000

**Exploration** 

**Industrialization** 

**Cultivation** 

Urbanization

# Key Trends Creating Changes in Stormwater Programs

1800 **Exploration** 

1900

2000

**Industrialization** 

Gentrification

Cultivation

**Urbanization** 



# Key Trends Creating Changes in Stormwater Programs

1800 Exploration 1900

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## Historical Paradigm Shifts

- 1. "Run it in ditches"
- 2. "Run it pipes"
- 3. "Run it in stormwater pipes"
- 4. "Keep it from stormwater pipes"
- 5. "Just don't cause a flood"

## Historical Paradigm Shifts

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- 4. "Keep it from stormwater pipes"
- 5. "Just don't cause a flood"

- 6. "Oh... and don't pollute either"
- 7. "It's the ecology stupid!"
- 8. "Water is water is water...shed"
- 9. "Green & bear it"

## Various Approaches

- Low ImpactDevelopment
- Multi-objectiveCorridors
- Integrated Site Design
- Better Site Design
- Green Infrastructure
- Conservation Design
- Green Building
- Green Technology

- SustainableDevelopment
- Smart Growth
- Eco-Friendly Design
- Zero Discharge
- Smart SiteDevelopment
- New Urbanism
- LEED designs

## There's more coming...

- Eventual TMDL implementation
- Wet weather standards
- Water scarcity
- Air-emission TMDL integration
- Quantity as a pollutant
- Maintenance of 10<sup>6</sup> rain gardens

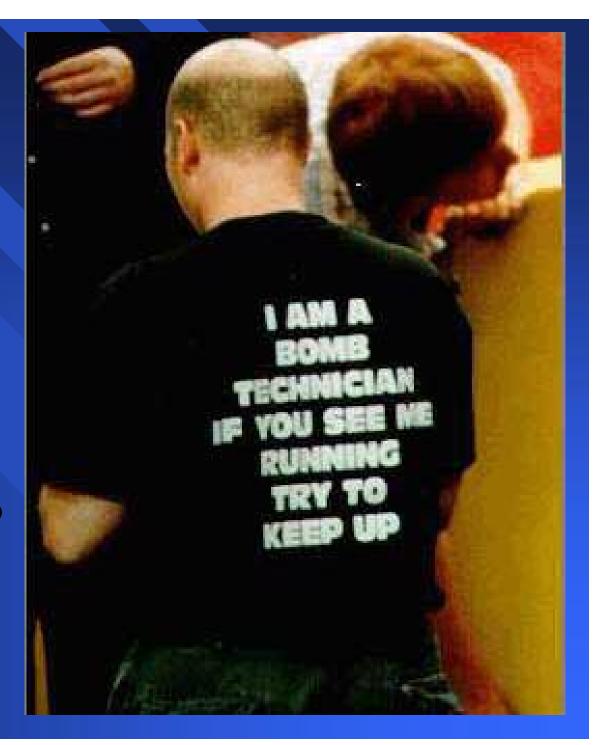
## All these paradigms lead to specific drivers for stormwater programs:



- Flooding problems
- ✓ Aging infrastructure
- ✓ Development pressures
- ✓ Erosion of channels & creeks
- ✓ Water quality & ecology
- ✓ Regulatory mandates
- ✓ Lawsuits
- ✓ Quality of life & aesthetics
- ✓ Preservation of property value

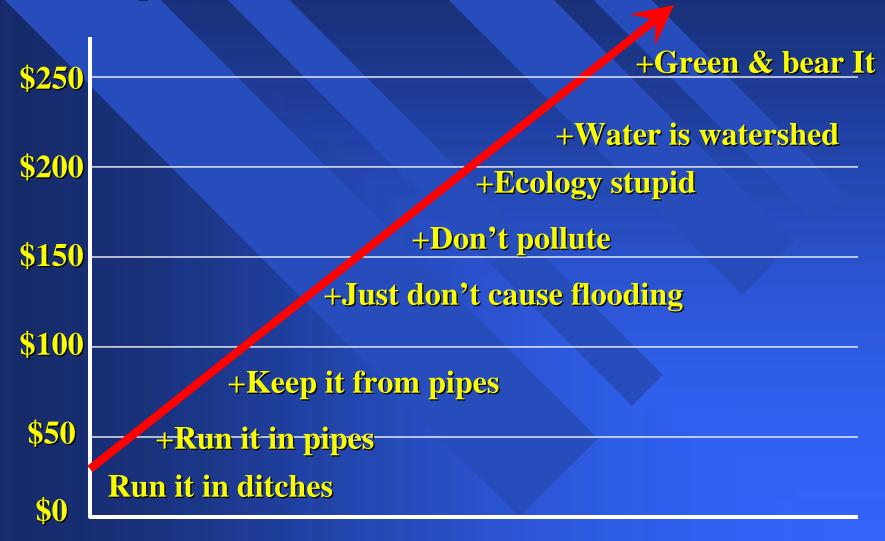
Are lots of drivers for action

... but are they compelling?



## "Typical" SW Program Costs

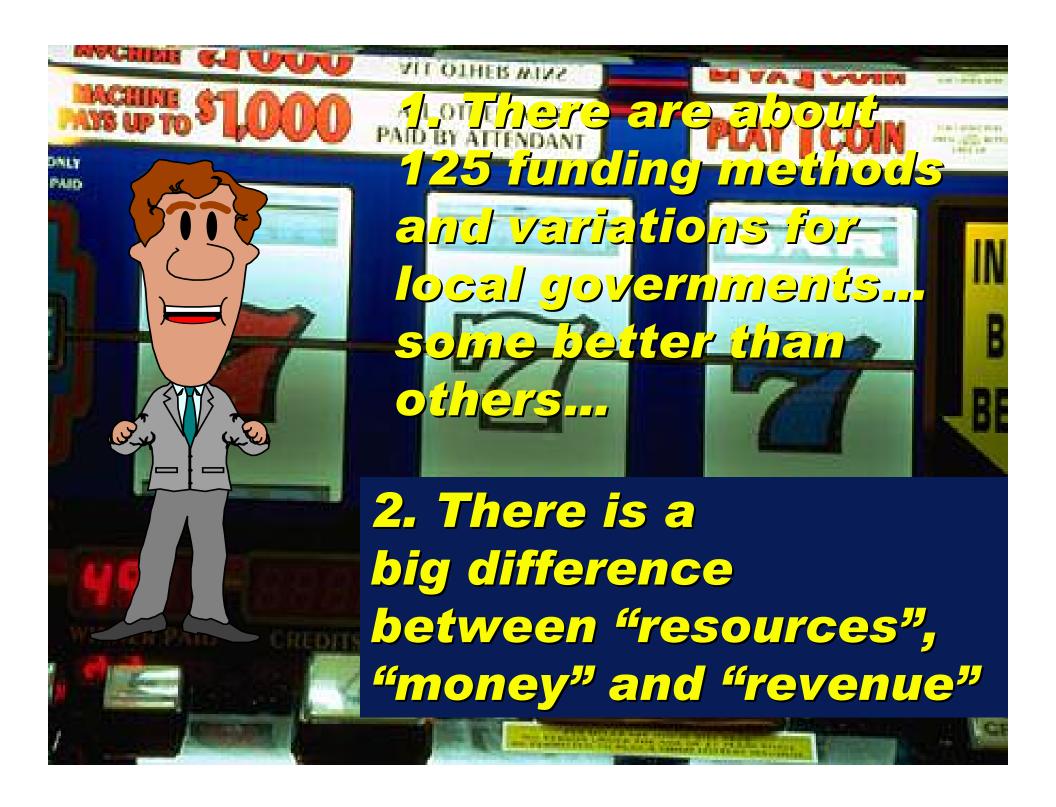
**\$\$/Developed Acre/Year** 



## Its Not Just About Utilities

How is stormwater paid for?





## Resources, Money & Revenue

- Resources free, non-monetary, donated, volunteer, goods and services
  - Your neighbor's lawnmower

## Resources, Money & Revenue

- Resources free, non-monetary, donated, volunteer, goods and services
  - Your neighbor's lawnmower
- Money one-time, unpredictable, undependable, episodic, limited
  - You buy your own lawn mower

## Resources, Money & Revenue

- Resources free, non-monetary, donated, volunteer, goods and services
  - Your neighbor's lawnmower
- Money one-time, unpredictable, undependable, episodic, limited
  - You buy your own lawn mower
- Revenue regular, predictable, money, budgeted, cash flow
  - You hire a landscape firm to mow your lawn

## How much of this program can you cover with money and resources?

#### 1. Administration

General Administration Gen Prog Planning & Dev Interlocal Coordination Grants Program

#### 2. Billing And Finance

Billing Operations
Customer Service
Financial Management
Indirect Cost Allocation
General Government Support

#### 3. Public Ed & Involvemen

Public Awareness
SW Qual Ed & Reporting
Public Involvement
Citizen's Advisory Group
Non-profit Integration
Media Relations
Risk Communications

#### 4. Technical Support

GIS Applications
Database Management
Mapping & Imagery
General Data Collection
Web & Customer Support

#### 5. Engineering & Planning

Des Criteria, Stds And Guidance
Field Data Collection
Quantity Master Planning
Quality Master Planning
Design, Field & Ops Engr
Retrofitting For Water Quality
Hazard Mitigation
Zoning Support
Multi-objective Planning Support

#### 6. Operations & Maintenance

General Maintenance Mgmt General Routine Maintenance General Remedial Maintenance Emergency Response Maint Infrastructure Management Public Assistance

#### 7. Capital Improvements

Major Capital Improvements Minor Capital Improvements Land, Easement, And ROW

#### 8. Regulation And Enforcement

Code Dev & Enforcement **General Permit Administration Drainage Sys Insp & Reg Zoning & Land Use Reg Special Inspection Programs Flood Insurance Program** Multi-Obj Floodplain Mgmt **Erosion Control Program** Pest, Herb & Fertilizer **Used Oil & Toxic Materials** Spill Response & Clean Up **Illicit Con & Illegal Dumping Groundwater & Drinking Water** Watershed Assessment & TMDL Septic & I&I Program **Industrial Program Monitoring** 

## Building Blocks for Funding

Resource

Impact Fee

**Shared Costs** 

Inspection Fees

## Building Blocks for Funding

Resource User Fee

Impact Fee Bonding General Fund

Shared Costs Inspection Fees Grants

## **Building Blocks for Funding**

Resource	User Fee	Volunteers	Fines
Impact	Bonding	General	Tax
Fee		Fund	Assessment
Shared	Inspection	Grants	Special
Costs	Fees		Sales Tax

Modify local programs

- Local PR resources
- Mapping and GIS
- Current inspection programs
- Current design criteria
- Current field forces modifications

- ✓ Modify local programs
- ✓ Share costs with neighbors or region/state-wide

- "Models"
  - brochures
  - ordinances
- "Joints"
  - criteria
  - PR programs
- "Bulks"
  - bulk orders on PR
  - bulk mapping
  - printing

- ✓ Modify local programs
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- ✓ Free stuff on the web

- Ordinances
- Brochures
- Criteria manuals
- Video clips
- Inspection Checklists
- Slide shows
- Educational materials
- BMP lists
- Contacts

- ✓ Modify local programs
- ✓ Share costs with neighbors or region/state-wide
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- ✓ Partner with non-profits
  - Lots of 501(c)(3) grants

- Free or mostly free
- Dedicated smart people
- Trusted more than you!
- May reduce lawsuit exposure
- Ownership of watersheds
- New funding source

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- ✓ Federal Programs:
  - Funding
  - "consulting"

- COE
- HUD
- EPA
- USGS
- NRCS
- TVA
- F&W
- FHWA
- FEMA
- DA

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  - Funding
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- Corporate Sponsorship
  - Advertising
  - Environmental association

- Sponsor events
- Provide materials or donations
- Adopt a watershed
- Public-private partnerships
- Scholarships and internships
- Adopt-a-storm-drain

## Adopt-a-Stormdrain or Waterway





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- ✓ Federal Programs:
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- ✓ State/Regional Grants:
  - Revolving loan and State bond fund
  - 319 non-point
  - Tea-21 funds
  - 604(B) WQ Planning
  - 104(b)(3) Wetlands
  - NOAA & Coastal Pollution Remediation Grants
  - Wellhead Protection
  - Source Water Protection

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- ✓ Fees for service & Innovation

#### Fees For Service & Other Innovation

- Plans review fees
- Stormwater "tap" fee
- Oversize latecomer fees
- Penalties and clean up charges
- Environmental impact fees
- Water, sewer or solid waste fee surcharge for surface water

- Hot spot or other "special use" inspection fee
- Environmental "check off" on electric, phone or other bill
- Redevelopment agency for "water quality urban blight"
- Community FacilitiesDistrict

# "Funding" Methods

- ✓ Modify local programs
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- ✓ The usual culprits:
  - General Fund, Sales Tax
  - Franchise Fees, Income Tax

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- ✓ Fees for service & Innovation
- ✓ The usual culprits:
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  - Franchise Fees, Income Tax
- ✓ Stormwater utility user fees



- You cannot live off of grants and loans



- You cannot live off of grants and loans
- There is a large human effort cost in "free" sources



- You cannot live off of grants and loans
- There is a large human effort cost in "free" sources
- Long-term operations make up half our program



- You cannot live off of grants and loans
- There is a large human effort cost in "free" sources
- Long-term operations make up half our program
- ergo: you need a mix of sources matched to the program components <u>AND</u>
- -you can sometimes match a program to funding

## Polling Question

3) How many people are participating in the webcast today at your location?

- A) Just me
- B) 2 to 5
- C) 6 to 10
- D) More than 10

## Polling Questions

- 4. What are the top compelling reasons in your community to set up a stormwater utility (pick your top reason)?
  - a) Flooding problems
  - b) Aging infrastructure
  - c) Development pressures
  - d) Erosion of channels & creeks
  - e) Water quality & ecology
  - f) Regulatory mandates

# Question and Answer Break

## Stormwater Utilities

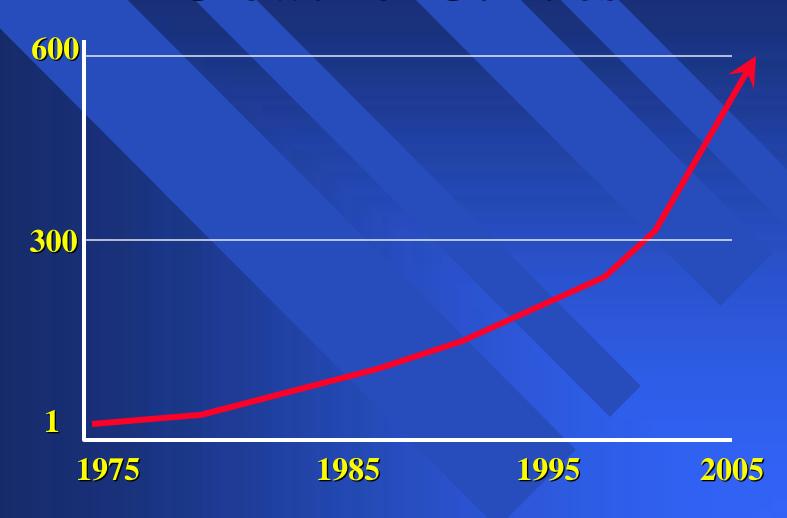
What makes it "better"?

# What is a Stormwater Utility?

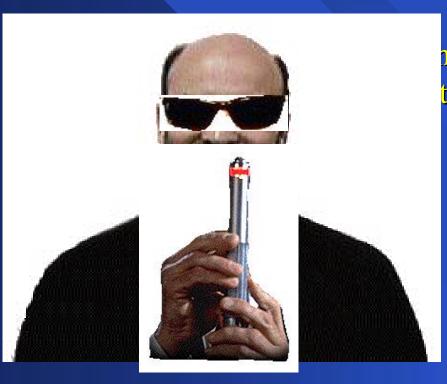
Mix of methods

- A funding method
- A program concept
- An organizational entity

# Growth of Utilities



# Advantages of a Stormwater Utility to Support Programs



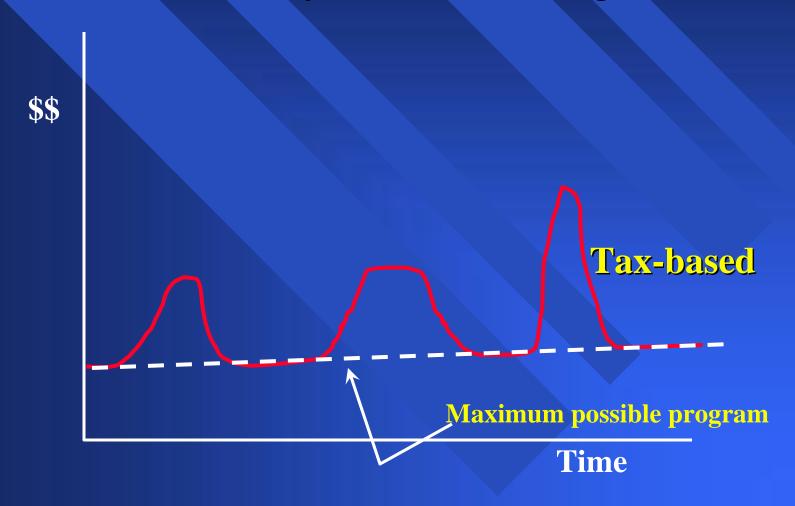
nt here taxes" Stable

Adequate

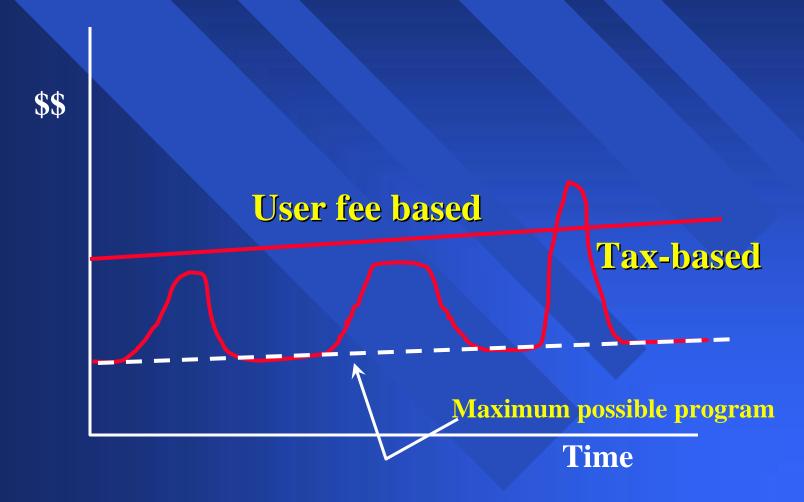
Flexible

Equitable

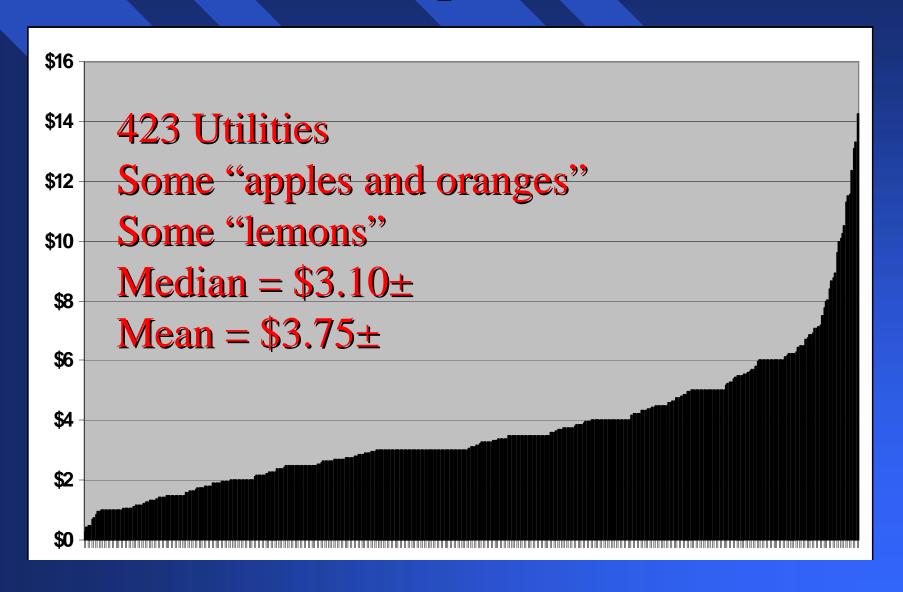
# Stable Utility vs. Tax Funding



# Stable Utility vs. Tax Funding

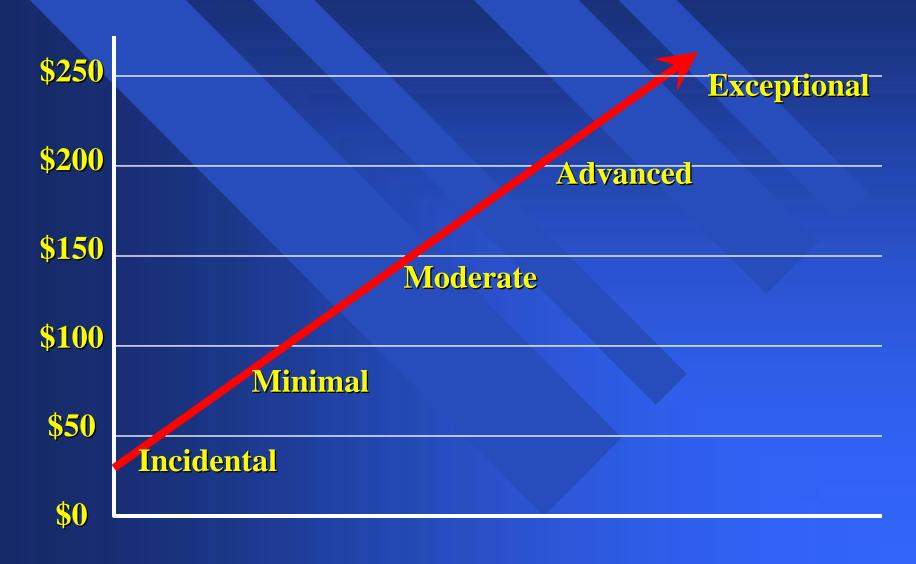


# Adequate

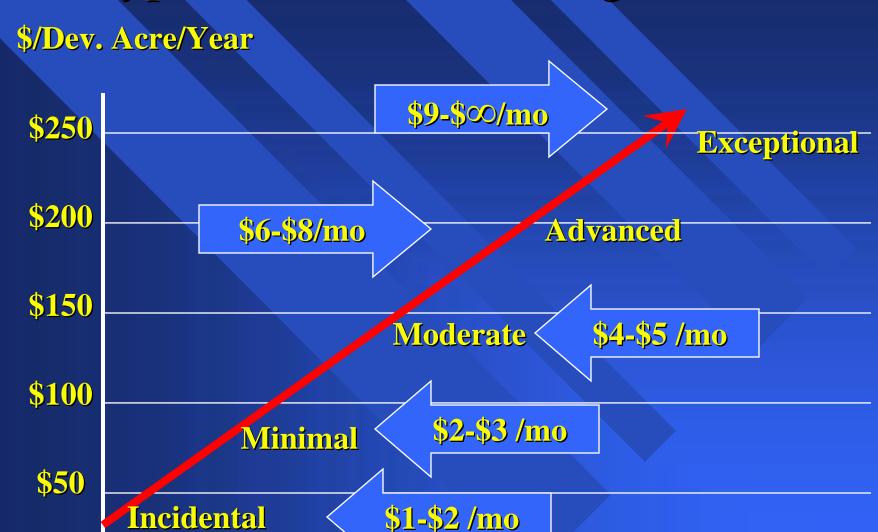


## Typical Stormwater Program Costs

\$/Dev. Acre/Year



## Typical Stormwater Program Costs



**\$0** 

# Polling Questions

- 5. How would you characterize your stormwater program?
  - A) Incidental
  - B) Minimal
  - C) Moderate
  - D) Advanced
  - E) Exceptional

## **Polling Questions**

6. About how much does your municipality spend on stormwater per year per person?

B) \$1.00 to \$2.00

C) \$2.00 to \$4.00

D) > \$4.00

## Flexible

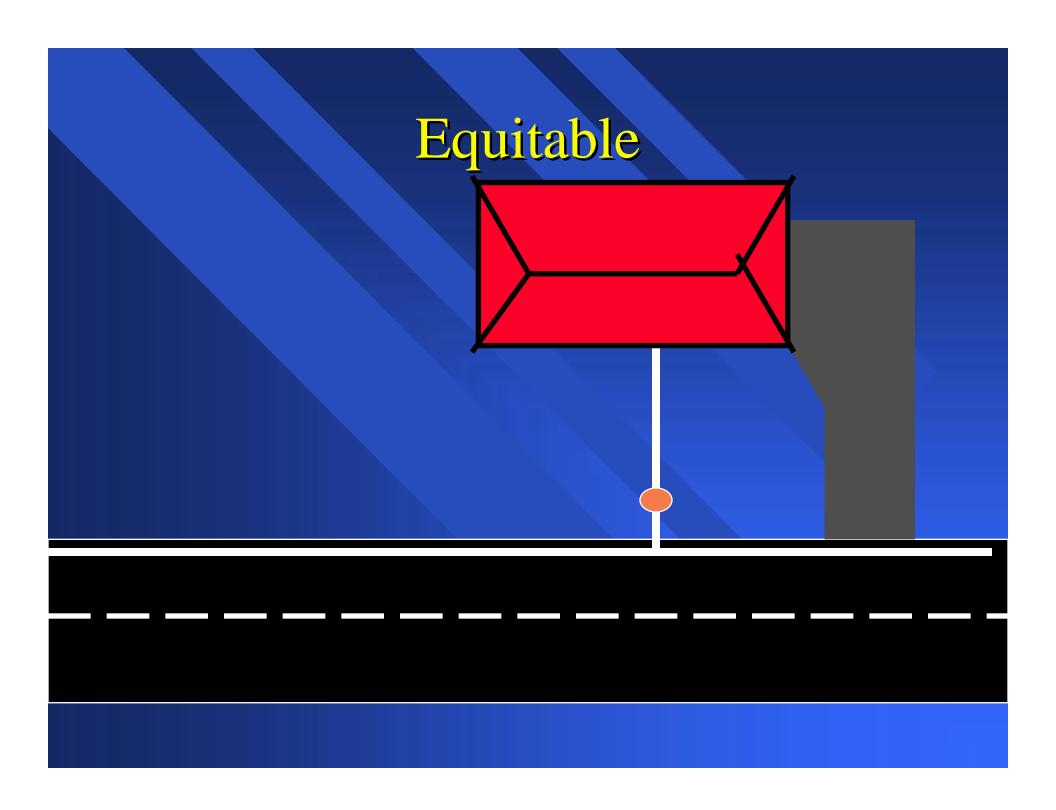


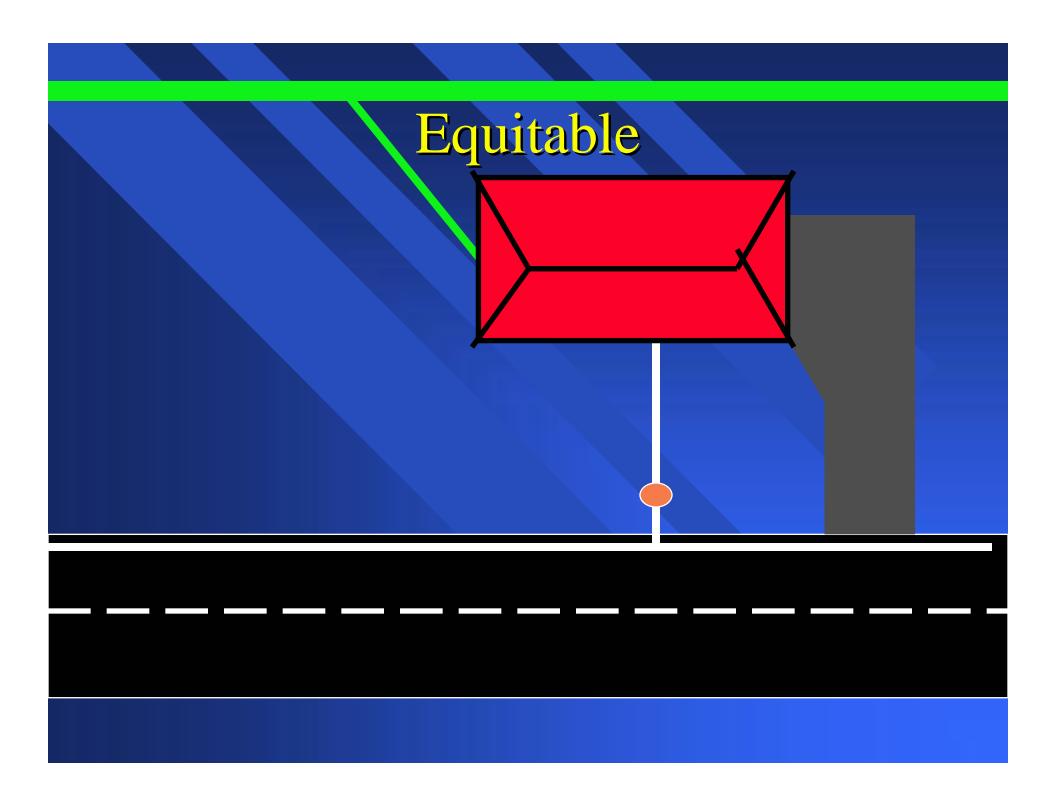
- Primary source for the whole program
- Other fees to enhance equity
- Credits to encourage good performance

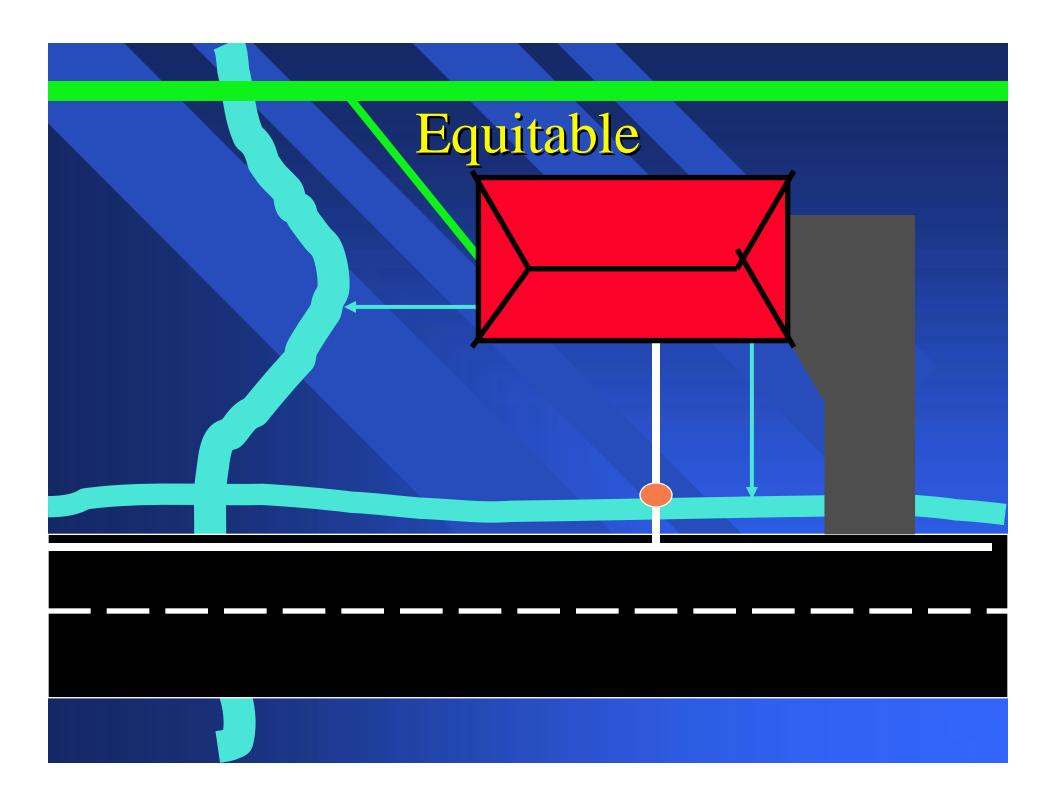
### Flexible

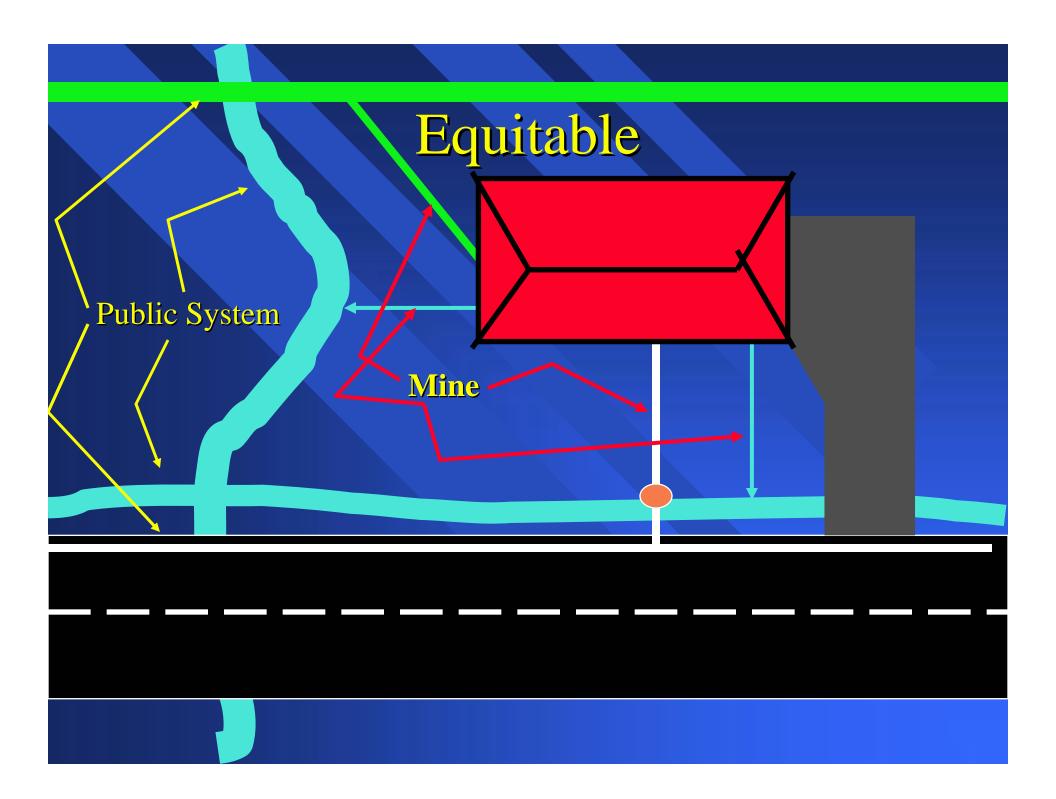


- Primary source for the whole program
- Other fees to enhance equity
- Credits to encourage good performance
- Can be geographically based
- Can take into account environmental costs

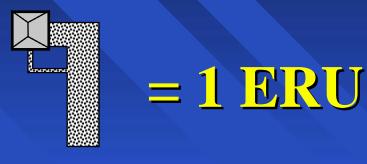


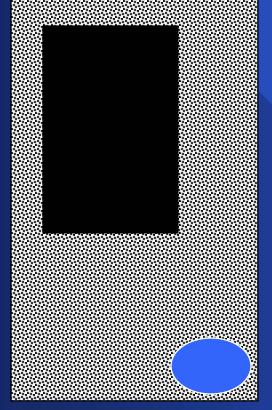






# Equitable: How a Fee is Calculated



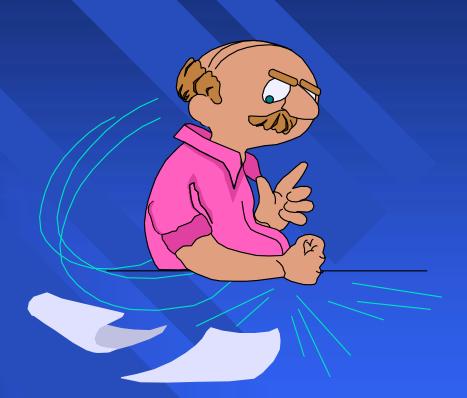


= 40 ERUs less credit

### Law Suits

Who will come after you, and how?

# Who will not like the concept?



# Who will not like the concept?

- tax exempt properties
- people with large paved areas with cheap buildings
- fixed income
- sometimes developers don't like it
- Maybe everybody !!



- ✓ Taxes
  - Primary revenue generator
  - No mandatory association with specific activities

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#### ✓ Exactions

- Approval or privilege to us
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#### ✓ Service Charge

- Tied to objective or program
- Fee level based on provision of goods & services
- Partially voluntary

### Every state is different

### Supreme Court Challenges

- Montana 1966
- Colorado 1986 & 1993
- Kentucky 1989 & 1996
- Ohio 1990
- Oregon 1992 & 1993
- Kansas 1994
- Florida 1995, 1998 & 2003
- Washington 1997

- Virginia 1998
- **■** Tennessee 1998
- Michigan 1998 & 2001
- North Carolina 1998 &
   1999
- South Carolina 1999
- Alabama 2001
- California 2002
- Georgia 2004
- Illinois 2005

Seven different types of challenge to plan for

#### **Polling Questions**

- 7. Does your municipality have a stormwater utility?
  - A) Yes
  - B) No
  - C) Seriously considering
  - D) In progress

## Question and Answer Break

# Implementation of a Stormwater Utility

How is a utility set up?

There is nothing more difficult and dangerous, or more doubtful of success, than an attempt to introduce a new order of things in any state.

For the innovator has for enemies all those who derived advantages from the old order of things, while those who expect to be benefited by the new institutions will be but lukewarm defenders.

Niccolo Machiavelli

#### Bringing About Change

#### Bringing About Change

#### Change = $D \cdot V \cdot P$

- D = Dissatisfaction (or desperation) with the status quo
- V = an attractive Vision for the future, a model of the way it can be
- P = a logical step-by-step Plan of action to bring about the change

The power of multiplication!!

Establishing a successful stormwater utility requires that you pay attention to five key areas of due diligence:

1. Governance and intermunicipal consensus

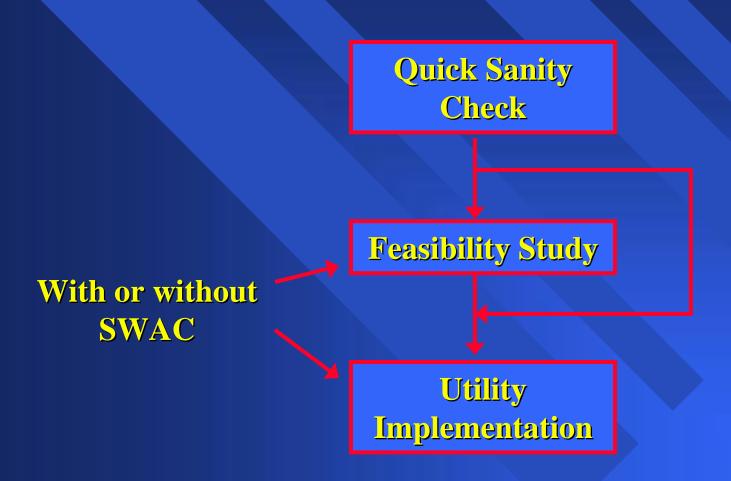
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- 1. Governance and intermunicipal consensus
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- 4. Financial policies and documents
- 5. Database development & accuracy and customer service

#### 2 or 3 Step Process



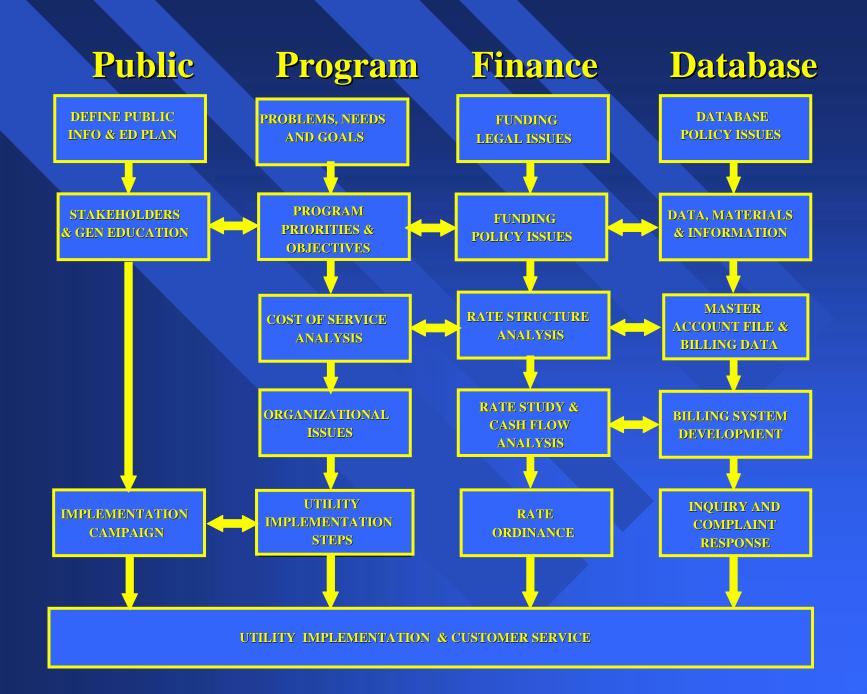
## Advisability Study DIMS (does it make sense...at all)

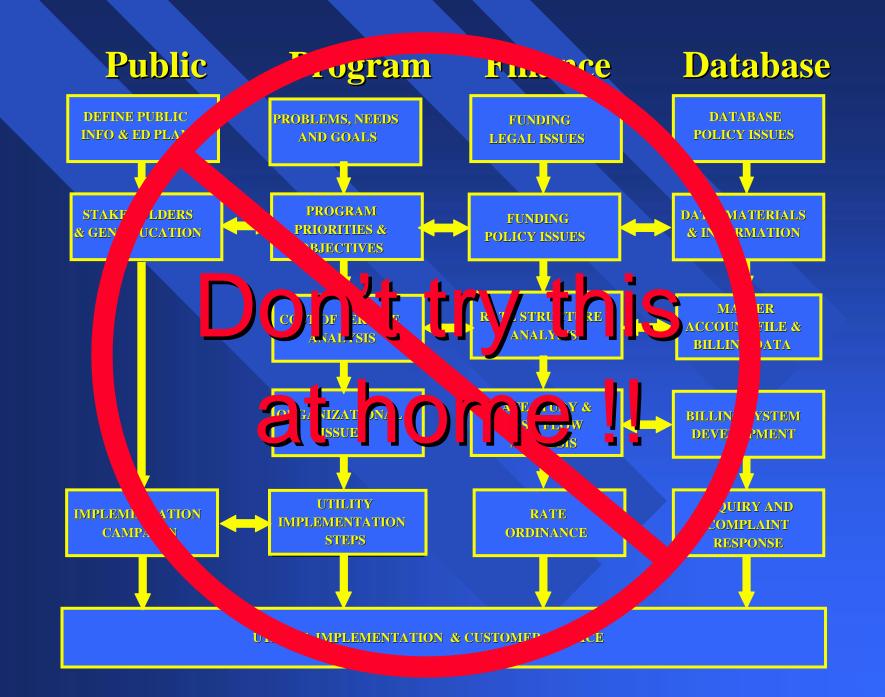
A DIMS study takes quick and dirty look at whether it is advisable to begin the process of stormwater utility development and outlines a general roadmap, costs, and approach.

It answers the question, "does this make sense at all?"

#### Feasibility Study

- What are we spending and doing now in stormwater?
- What are the significant problems, issues and needs we face?
- How have others solved them?
- How should we solve them?
- What will it cost?
- How should we pay for it?





#### How to fail flawlessly...

How is a stormwater utility not set up?



• We didn't understand the process.



• We didn't understand the process.

• We didn't involve the community early enough or in the right ways.



• We didn't understand the process.

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• We couldn't explain our program and funding strategy or rates.



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 We didn't prepare our elected officials for vocal complaints.



• We didn't understand the process.

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• We couldn't explain our program and funding strategy or rates.

 We didn't prepare our elected officials for vocal complaints.

 We did it the convenient and inexpensive way, not the right way.



## Question and Answer Break